Successful Solution of Tax Problem in Korea

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Preface

The final solution of the tax question is one of the conspicuous successes achieved by our people in the building of a new society.

The tax question poses itself as an important problem in the construction of a new society.

Only by solving the tax problem properly is it possible to free the working people from the fetters of taxation, a legacy of the old society, and expedite economic construction and cultural development and thus provide them with an independent and creative life.

In the old days the tax system served as a means of exploiting our people. In particular, the colonial tax system the Japanese imperialists imposed upon them after occupation of our country was the most brutal and murderous one unprecedented in history.

Our people's centuries-old desire to shake off the heavy burden of taxes was met as the great leader Comrade Kim Il Sung won back the lost country and led the building of a new society.

Having perceived the essence of tax and our people's age-long desire to get rid of it, he elucidated the revolutionary way of solving tax question and wisely led its solution.

Our country brought up the solution of tax question as an important socio-political matter and made a strenuous effort to solve it at each stage of the

revolution and construction.

Now our people are free from taxes and live happily without any worries, without being harassed by taxes.

In effecting this great change our country has gained really valuable experiences.

1. PRINCIPLE MAINTAINED IN EXECUTING THE TAX POLICY

In order to solve the tax question our country first established the correct principle to be adhered to in executing the tax policy.

The tax question is related to taxation, a legacy of old society, which came into being with the emergence of state and was used as a means of exploiting the working people for thousands of years. It is a very complex and important question related to the solution of the question of funds for building a new society and the people's livelihood.

Therefore, only when the correct principle of tax policy is established, can the difficult and complex questions arising in solving the tax problem be brought to successful solution.

Only then is it possible to prevent the Right and "Left" deviations and maintain principle and consistency in the solution of the tax problem.

The main principle our country held fast to in carrying out the tax policy was that it instituted a system of uniform, equitable taxation and introduced a progressive income tax.

The great leader Comrade Kim Il Sung said:

"...To institute a system of uniform, equitable taxation and introduce a progressive income tax."

Since the working people have become the mas-

ters of state power, the basic question in implementing tax policy is what system of taxation should be set up and what principle be followed.

Tax directly affects the interests of all sections of population since it is a form of redistribution of income through the obligatory delivery by the citizens of part of their income according to the tax rates fixed by the state.

If different heavy taxes are levied upon the people, they will affect their livelihood adversely and, on the contrary, if light tax is levied on them, it will not be sufficient to meet the demand of the state and society for funds.

The most fair principle is to introduce uniform and equitable taxes and progressive tax rates which are popular and democratic in character.

If the taxation system is to be popular and democratic, it should be uniform.

In the past the ruling class in the exploiter society imposed heavy taxes upon the people to maintain their ruling machine and instituted miscellaneous exacting taxes so as to cover up their exploitation. Leaving the former system of taxation intact made it impossible to introduce the popular and democratic taxes in a new social system under which our people became the masters of the country.

For the purpose it was necessary, first of all, to reduce tax items radically and deliver the population from miscellaneous taxes.

Hence, Korea maintained the principle of levying uniform taxes in its tax policy.

Another requirement for ensuring the popular and democratic character of the taxation system is

to observe the principle of equitability.

The tax system which the Japanese imperialists had established in Korea during their colonial rule in the past was extremely unfair one.

Although they talked much about the so-called "equitability" of taxes, they levied taxes upon the people in disregard of the character and size of the income. In addition, they applied low tax rates to the Japanese, landlords, comprador capitalists, pro-Japanese elements and reactionary bureaucrats at the expense of the working people or exempted them from taxes.

Formerly our people suffered harsh exploitation and lived in poverty, saddled with the burden of debt, due to the unfair taxation.

The unfair tax system was unallowable in the new social system under which the masses of the working people became the masters of state power.

To make the tax system popular and democratic, it was necessary to fix tax rates in accordance with the nature and size of earnings of each section of the population instead of the unfair tax system which served the Japanese imperialists and exploiter class so that the population were liable to pay the equitable tax commensurate with their income.

Hence, our country strictly adhered to the principle of equitable taxation in its tax policy.

Introduction of progressive tax rates was an important requirement for making the tax system popular and democratic.

Equitability in taxation can be fully ensured only by the progressive tax rates under the people's power.

Therefore, in carrying out the tax policy our country correctly classified the income of different sections of population according to its character and adhered to the principle of progressive tax rates whereby the taxes of higher rates were imposed on those who earned higher incomes.

Another principle of our tax policy was to make proper use of the taxes as an additional source of the state revenue and as a means to step up the revolution and construction and to regulate people's living standard.

It is true that tax is a legacy of the old society, but since its nature changed after the working people became the masters of the country, it is inevitable to use it as a supplementary source of the state revenue for a certain period of building a new country. Because even after the working people became the masters of power the taxes take not a small share in the state revenue since the economic foundation of the country is not sufficiently strong and the accumulation within the state-run economic sector is not large.

The finances our people's government took over from the Japanese after liberation were an empty safe with account books. So, the situation of the national finances was very difficult.

To make matters worse, although the major industries owned by the Japanese imperialists and traitors to the nation were nationalized, they were backward and negligible, and characterized by colonial lopsidedness.

In order to rapidly develop the national economy and improve people's living, a large amount of funds

were needed. To meet this need our country followed the principle of collecting part of income of peasants and other people as taxes for the state revenue until the economic foundation of the country was consolidated.

Another important principle of our tax policy was to lighten the tax burden of the working people systematically and eventually abolish taxes as the necessary conditions and possibilities were created.

The great leader Comrade Kim Il Sung said:

"One of the principles followed consistently by our Party and the Government of the Republic in their taxation policy was to lighten the tax burden systematically and eventually abolish taxation altogether, a leftover of the old society."

Whenever they revised tax laws in the exploiting class society the ruling classes raised the rates of tax, increased its items and shifted the tax burden upon the toiling masses holding no political power.

The masses of the working people had suffered from poverty due to the heavy tax burdens imposed on them for thousands of years. Hence, they cherished centuries-old desire to shake them off and their struggle against taxation formed part of the struggle for Chajusong.

Their age-long desire cannot be realized only by abolishing the old tax system and setting up a popular and democratic tax system. It is possible only when the taxes imposed on the working people are systematically reduced and tax system itself is completely abolished.

After abolishing the colonial tax system imposed

by the Japanese imperialists and establishing a popular and democratic tax system our country adhered to the principle of reducing tax items, lowering the tax rates systematically, gradually exempting people from taxes and eventually abolishing them as the necessary conditions and possibility were created.

As seen above, our country established correct principles of tax policy and held fast to them during the whole period of the building of a new country. As a result, it solved the tax question successfully and eventually abolished the tax system itself in April 1974.

2. ESTABLISHMENT OF A POPULAR AND DEMOCRATIC TAX SYSTEM

Korea abolished the old colonial tax system and established a popular and democratic tax system.

The great leader Comrade Kim Il Sung said:

"After liberation our Party and the people's government abolished the plunderous, anti-popular, colonial system of taxation passed down from the time of Japanese imperialist rule and set up a popular and democratic taxation system."

To put an end to the old colonial taxation system and set up a new popular and democratic taxation system was the essential requirement of the stage of the anti-imperialist, anti-feudal democratic revolution. Because otherwise it was impossible to free

our people of plunderous, murderous tax burdens and stabilize and improve their livelihood.

One of the important tasks in the stage of the anti-imperialist, anti-feudal democratic revolution after liberation was to stabilize and improve the people's livelihood, which had been impoverished due to the aftermath of Japanese imperialist colonial rule.

As long as the taxation system the Japanese imperialists had established in the days of their colonial rule remained, it was impossible to stabilize and improve the people's livelihood. Because their taxation system served as an instrument of murderous exploitation of our people.

During their colonial rule after occupation of Korea the Japanese imperialists maintained the feudalistic tax system as it was and changed it for the worse in favour of their colonial plunder and made every effort to exact taxes from the people to raise the funds for preserving the colonial ruling machine and enforcing their fascist rule.

The Japanese not only levied taxes on every Korean but also increased tax items, widened the sphere of their imposition systematically and raised the tax rates and thus squeezed every penny from our people.

They further intensified exploitation as they expedited preparations for the war to invade the Asian mainland and for the Pacific war.

The amount of taxes levied by the Japanese imperialists during the years 1939-1943 was stupendous even according to the data watered down by themselves.

Year	Amount of Taxes Levied	%
1939	100,042,000 *won*	100
1940	132,335,000 *won*	132
1941	163,044,000 *won*	163
1942	233,784,000 *won*	233
1943	309,354,000 *won*	309

The direct taxes alone stipulated by the Japanese imperialists were multifarious. They included land tax, family tax, house tax, marriage tax, birth tax, forest and field tax, autonomy tax, livestock tax, burial ground tax, chimney tax and what not. They exceeded 10 kinds in 1913, but their number reached 58 at the time of Japan's defeat. The amount of plunder through direct taxation was as much as 87 per cent of the working people's total incomes, and it increased further after the Japanese imperialists started the war of aggression on the Asian mainland.

Between 1917 and 1933 the land and family taxes rose 360 per cent and in 1943 they were up twice as much again.

Plunder through Direct Taxation

Year	1912	1919	1931	1941
%	100	178	401	1,153

This diagram shows that while the plunder through direct taxation increased 1.8 times during about ten years following the Japanese imperialists' seizure of Korea, it rose almost three times in the ten years when they invaded the Asian mainland and prepared in real earnest for the Pacific war.

In addition to the direct taxation, they employed the crafty and covert means of indirect taxation to rob the Korean people.

Average Amount of Per-Family Plunder by Indirect Taxation

Year	1912	1919	1932	1942
%	100	312	953	2,744

Indirect taxes increased at a faster rate in comparison with direct taxes. In the closing period of Japanese imperialist colonial rule the amount of plunder by indirect taxation was up more than 27 times as much as that in the incipient period of the Japanese occupation of Korea.

In addition to the onerous basic taxes, miscellaneous exacting levies such as "township dues," "sub-county dues," "agricultural association dues" and "school dues," and public charges of all names were imposed on the Korean people. Further, the Japanese imperialists forced the tax-like grain delivery to the government, bank deposits and various money donations on the Korean people. They also bled the Koreans white by recklessly issuing various loans,

public and private, and bank notes.

The people who were unable to pay taxes had their property attached and even found their dear ones sold off. Therefore, the Japanese system of taxation was the object of the Korean people's resentment and curse, and the latter's struggle against it was unceasing.

The abolition of the old colonial system of taxation and the establishment of a popular and democratic system were essential to meet the Korean people's desire for shaking off the burdens of the predatory and murderous taxes and to stabilize and improve their material and cultural life after liberation. They were also indispensable for the democratization of social life as a whole and the acceleration of the building of a new society.

With a scientific insight into this requirement of revolutionary development, the great leader Comrade Kim Il Sung set out the policy of doing away with the old colonial system of taxation and setting up a new popular and democratic one and wisely guided the work of its materialization.

Meticulous preparations for this were most important. Such preparations were needed for the tactful solution of the difficult and complex problems arising in the reform of the tax system for establishing a new one. They were also necessitated by the fact that after liberation there was no unitary tax system in our country but taxes were collected differently in different local areas. Following the national liberation, people's committees were formed and operated in the local areas before the establishment of a unified central government. These

local people's committees were collecting taxes in different ways to raise funds needed urgently for organizing political, economic and cultural life in their own areas. Without putting this to rights, it was impossible to enforce a tax reform and set up a new tax system.

By carrying out the tax reform to establish a popular and democratic system of taxation, the old tax system set up by the Japanese imperialists was wiped out completely. At the same time, the various taxes collected temporarily in different provinces and counties to ensure the operation of the people's government organizations were set right in a unified way.

As a result, 58 sorts of taxes comprising 32 kinds of national taxes, 13 kinds of provincial taxes and 13 kinds of municipal and sub-county taxes levied during Japanese imperialist rule were readjusted before the compilation of the national budget for 1946 and cut down to 21 kinds including national and provincial taxes.

The government established a strict order so that after the readjustment of the taxes the local people's committees might not institute new categories of taxes or levy unjust taxes at will. At the same time, it did away with the old organs of tax administration and saw to it that the people's committees undertook the work of assessing and collecting taxes.

These measures made it possible to put an end to the confusion in the taxation system and pave the way for the establishment of the popular and democratic taxation system. At the same time, the immediate demand of the country for funds was

partly met and the people were lightened of their tax burdens to some degree.

What was important in establishing the popular and democratic taxation system was first to determine the proper order of priority. As it was a difficult and complicated matter it could not be established at once. For the purpose the order of priority had to be established on full consideration of urgency, importance and subjective and objective conditions.

Our country at first reformed taxation system in the countryside. This was related to the agrarian reform carried out in our rural villages. Our country began with the agrarian reform in carrying out the anti-imperialist, anti-feudal democratic revolution.

The agrarian reform paved a wide way for developing productive forces of agriculture and improving the livelihood of peasants. But at that time the rural tax system was not radically revised. Only the three-to-seven system of tenancy which had been established immediately after the liberation of the country was in force. Under the three-to-seven system of tenancy 30 per cent of the crop yield was to be given to the landlords and the remaining 70 per cent taken by the tenants while the landlords were liable to pay the taxes on land.

The question of rural taxation could be solved no longer by the three-to-seven system in the new condition that the agrarian reform had been effected.

Moreover, peasants who became the masters of land as a result of the agrarian reform were keenly interested in what portion of their agricultural produce would come under their free disposal. Those

who were less awakened ideologically were glad to have become the masters of land but were nervous about what measures the state would take as to the disposal of harvest yields.

Moreover, the reactionaries tried to sway the ignorant peasants, saying, "Don't be glad that you have got land" or "Do you think that the land is given you for nothing? You will be deprived of your crop".

Such being the situation, only by reforming the rural tax system was it possible to consolidate the success of the agrarian reform, increase the agricultural production and improve the living standards of the peasants.

It was necessary to reform first the rural tax system because the peasants accounted for the overwhelming majority of the population and the countryside was the main object of the Japanese imperialists' colonial exploitation.

Owing to the tyrannical colonial policy of the Japanese imperialists, our country failed to go through the stage of normal capitalist development and carry out industrial revolution, and remained a colonial, semi-feudal society.

As a result, those engaged in industry were small in number and the peasants accounted for over 80 per cent of the population. Accordingly, the peasants were the main victims to the colonial plunder of the Japanese imperialists.

Under these conditions, only when the rural tax system was reformed first, could the peasants forming an overwhelming majority of the population be

closely rallied around the Party to strengthen the revolutionary forces.

Having perceived this requirement, the great leader Comrade Kim Il Sung set forth a policy of introducing the agricultural tax in kind and wisely led its implementation. He said:

"Following agrarian reform, our Party had the law on tax in kind proclaimed to free our peasants from the onerous burden of forced delivery and miscellaneous levies and to provide them with favourable conditions for improving their material and cultural life."

The system of the agricultural tax in kind was a most popular and democratic rural tax system.

This was because the agricultural tax in kind ensured, first of all, a unitary tax system in the countryside. The singleness of the tax represents an important criterion for ascertaining its popular and democratic character.

If the different miscellaneous taxes are imposed on the same amount of income, instead of a single tax, a heavy financial burden will be inevitably laid on the people.

In our country, the system of the agricultural tax in kind made it possible to completely abolish over 40 sorts of heavy miscellaneous taxes including the land tax which the peasants were forced to pay to the Japanese imperialists and landlords in the past and levy one kind of tax on their farm produce. In this way, the unitary tax came to be firmly established as required by the popular and democratic tax system.

It was also because the agricultural tax in kind

converted the rural tax system into a direct one.

Direct taxes are an important guarantee for fairness required by the popular and democratic tax system.

For the tax system to be fair, tax should be directly imposed on the income of taxpayers.

If primary importance is attached to indirect tax, not direct tax, or to other objects instead of income itself, there cannot be expected fairness in imposition and levy of tax and different deviations may appear.

If cash tax is levied on the peasants who earn their income only from farm produce, they have to bear the loss due to the fluctuations in the prices of farm products.

At the same time, if tax is levied on other things but the farm produce which is the source of their income, unfairness cannot be avoided in levying tax.

Our system of agricultural tax in kind whereby tax was directly levied on the farm produce of the farmers and paid in kind ensured fairness as required by the popular and democratic tax system.

An important thing in introducing the system of the agricultural tax in kind was to correctly fix the tax rates. This was a prerequisite to its successful introduction.

It was important to correctly combine the interests of the peasants with those of the state.

If the rate of agricultural tax in kind was set too high with the unilateral stress on the interests of the state, this would damp farmers' zeal for production, interfere with the rapid improvement of their material and cultural life, and adversely affect their

political enthusiasm. On the contrary, if the rate of agricultural tax in kind was set too low with unilateral stress on the interests of the peasants, it would be impossible to solve food problem of factory and office workers and other urban dwellers and accelerate the development of the national economy as a whole.

In our country, the rate of agricultural tax in kind was fixed at 25 per cent of the harvest yield.

The great leader Comrade Kim Il Sung said:

"Under the system of agricultural tax in kind, the peasants were to deliver only 25 per cent of their harvests to the state and to take full possession of the remaining 75 per cent."

The rate of agricultural tax in kind accounting for 25 per cent of the harvest was the most appropriate tax rate correctly reflecting the interests of the peasants and the state alike.

First of all, it agreed with the interests of the peasants.

In the days of Japanese imperialist colonial rule, the peasants in our country were deprived of 60 to 90 per cent of their harvests by the Japanese imperialists and the landlords through miscellaneous taxes.

Reflecting the ardent desire of our peasants who wanted to become masters of land and enjoy an abundant life, the system of agricultural tax in kind enabled them to deliver to the state only 25 per cent of the cereals they produced and dispose of the remaining 75 per cent at will.

This tax rate was the most reasonable one which

induced the peasants to work hard to improve their material and cultural life.

So, when the Law on Agricultural Tax in Kind was published, they welcomed it with joy and gave it positive support and approval.

Moreover, the 25 per cent rate of tax was most appropriate because it made it possible to procure food for factory and office workers and meet the demand of industry for raw materials and solve the question of fund needed for industrial construction on our own.

As seen above, because the rate of agricultural tax in kind was properly fixed reflecting the interests of the peasants and the state alike, they gave active support to its enforcement and displayed patriotic enthusiasm for repaying such a favour.

In order to repay the great favours shown by the father leader who made our peasants masters of land through the agrarian reform allowing them to take 75 per cent of their harvests by introducing the system of agricultural tax in kind, they joined the patriotic rice-donating movement.

The great leader Comrade Kim Il Sung said:

"While delivering 25 per cent of their harvests as tax in kind to the state, the peasants initiated the patriotic rice-donating movement."

The pioneer of this movement was a peasant, Kim Je Won who lived in Taehung-ri, Pungnyul Sub-county, Chaeryong County, Hwanghae Province (today's Kim Je Won-ri, Chaeryong County, South Hwanghae Province).

Formerly, he was a tenant farmer of the Japan-

ese-managed "Oriental Development Company" and subjected to subhuman treatment and humiliation. After liberation, he became a master of land by the great favour of the respected leader. He did farming well on the distributed land and paid the agricultural tax in kind and, having a great deal of surplus grains left over, he contributed 30 sacks of rice to the state out of patriotism at the meeting to celebrate the delivery of agricultural tax in kind held in Chaeryong County on December 10, 1946. That day, in response to Kim Je Won's patriotic initiative, the peasants of Chaeryong County contributed more than 830 sacks of rice to the state and sent a letter of loyalty to the great leader in the name of the meeting and appealed to the entire peasants of the country to join the patriotic rice-donating drive.

In response of the patriotic appeal of Kim Je Won and other peasants in Chaeryong County a nationwide patriotic rice-donating movement was launched and a large number of peasants donated rice to the state.

Another important thing in introducing the agricultural tax in kind was to impose tax in kind after accurately assessing crop yields.

The great leader Comrade Kim Il Sung said:

"If you are to avoid deviation in the collection of the tax, you must first see to it that crop yields are assessed accurately."

If crop yields are not accurately assessed, the agricultural tax in kind cannot be properly collected according to the fixed rate, however reasonably the tax rate may have been fixed.

Participants in Patriotic Rice-Donating Movement
(by the end of 1946)

Provinces	Number of Donors of Rice
Hwanghae	3,576
North Pyongan	4,052
South Pyongan	7,523
Kangwon	2,750
South Hamgyong	610
North Hamgyong	266
Total	18,777

If they are assessed higher than actual crop yields, more tax in kind will be levied than at the fixed rate to harm the interests of the peasants.

On the contrary, if the assessment of yields is lower, the tax in kind cannot be collected as it should be and, accordingly, less grains will be delivered to the state and the income of the peasants grow to an unjustifiable amount.

In either case, the interests of the peasants cannot be properly combined with those of the state.

Our country saw to it that crop yields were assessed accurately by the peasants themselves as masters.

It is the peasants who know farming best.

This made it possible to assess crop yields accu-

rately and collect the tax in kind drawing on their high sense of self-consciousness and political enthusiasm.

For the purpose, yield assessment committees were formed with the hardcore elements in every ri in the countryside and were properly operated.

In addition, through the implementation of the mass line in crop assessment the tax in kind came to be levied accurately at the fixed rate.

For the accurate assessment of crop yields, local power organs' guidance in this work was intensified.

The guidance and assistance of the state were essential for the successful assessment of crop yields by the peasants themselves. This was because they retained the survivals of old ideologies and the political and practical qualifications of members of the assessment committees were low.

In order to intensify the guidance and assistance of the state in this work chairmen of sub-county and ri people's committees were made to answer for the result of the assessment. At the same time, the local power organs raised the practical qualifications of members of the assessment committees by a training course and various other forms and methods while building up their ranks solidly with hardcore elements in the countryside.

As a result, such practices were revealed and redressed in due time as of some unsound elements joining the assessment committees in certain villages at the early stage and of some unreliable elements making false reports about the size of arable land and sown areas by various methods.

Cases of incorrect assessment of crop yields by the members of the assessment committees were discovered in time and measures taken to rectify it.

As the local governments strengthened guidance to the assessment of crop yields, the assessment committees came to fulfil their duty and role proceeding from a correct standpoint and the peasants took part in the assessment work voluntarily.

Another importance in introducing the system of agricultural tax in kind was to collect the agricultural tax in kind without a hitch. This was a matter of great account.

This was because through the delivery of tax in kind, the peasants could accomplish their duties toward the state and it could pursue its proper food policy. So, the agricultural tax in kind had to be completely delivered in due time.

Our country drew on the patriotic enthusiasm of the peasants to ensure timely delivery of the agricultural tax in kind without a hitch.

For its successful delivery wide publicity was given to the significance of its delivery among the peasants. For the purpose the Party and state sent propaganda workers to the countryside and launched energetic publicity campaign enlisting mass communication including newspapers and radio, art propaganda and students' propaganda corps.

As a result, the peasants' patriotic enthusiasm rose high for the delivery of the agricultural tax in kind and various slanders spread by the reactionaries against it were smashed.

For the successful delivery the activists' move-

ment for the delivery of agricultural tax in kind was organized and launched.

In this movement the role of the members of the Democratic Youth League was of great significance. In November 1946 the Central Committee of the Democratic Youth League convened a meeting of its 5th standing committee and enlisted young people in the movement.

At the same time, the state strengthened guidance to and control of the delivery of agricultural tax in kind.

The delivery of agricultural tax in kind means to collect part of farm products produced by the peasants who were scattered across the country and concentrate them in the hands of the state. So it could be carried out successfully only under the unified and meticulous guidance of the state in view of the amount of work to be done and its complexity.

The guidance and control of the state over the delivery of agricultural tax in kind were indispensable in view of class relations in the countryside.

Immediately after liberation ideological level of the peasants was still low and the composition of rural population complex. In particular, the class enemies at home and abroad slandered the system of agricultural tax in kind and committed various subversive activities.

In these conditions, the strengthening of the guidance and control of the state was essential for the successful collection of agricultural tax in kind.

In our country, to guarantee the guidance and control of the state over collection of agricultural

tax in kind people's power organs in the centre and localities took it in hand and carried it out in a responsible manner.

The department in charge of collection of agricultural tax in kind was set up in the people's committees at all levels and their chairmen were made to lead it on their own responsibility.

In addition, within the county and sub-county people's committees which were directly responsible for the delivery were set up non-permanent cooperative organizations embracing representatives of political parties, public organizations and government bodies, which pushed forward the collection of the agricultural tax in kind.

The state correctly laid down the procedure and method of collection of agricultural tax in kind.

Here serious attention was paid to offering maximum convenience to the peasants.

First of all, it was seen to that every ri appointed its own inspector to make preparatory conditioning of grains to be delivered as tax in kind so as to dispense the peasants from the trouble of carrying them back home from the place of delivery when they were rejected.

Next, the principle was laid that the peasants delivered the grains they produced as the tax in kind.

This took into account the fact that before the establishment of socialist system grain dealers used to corner grains through various channels. If the state had demanded the peasants to deliver as tax in kind the grains they did not produce, they would have been obliged to sell their grains and buy the

demanded sorts of grains in the market to deliver them to the state. Then grain dealers would have profited from forestalling grains while the peasants would have suffered a loss.

As for industrial and some other crops the state allowed the peasants to deliver other grains at their convenience.

As far as the inspection of collection of agricultural tax in kind was concerned, the upper organs made regular inspection of the subordinate ones and, if necessary, inspectors were dispatched to the localities from the centre to check the levy of the agricultural tax in kind as a whole and take relevant measures.

On the other hand, the local government bodies sent excellent functionaries to their subordinate organs to make regular check of the delivery of the tax in kind and promote it. Moreover, qualified inspectors of agricultural products were sent to subcounties and villages to inspect the preparations of the grains to be delivered as the tax in kind and their delivery and give practical assistance to them.

At the same time, sanction was applied against the impure elements who made unfair practices or did not keep the date of delivery and the reactionaries who egged them on to such deeds.

Inspection and control of the delivery of tax in kind was designed to take sanctions against a tiny handful of shirkers of the delivery in defence of the interests of the broad sections of the peasants.

Like this in our country the work of collecting agricultural tax in kind was successfully carried out

every year because the patriotic enthusiasm of the masses of the peasants was enlisted under the guidance and assistance of the state.

In order to do away with the old colonial taxation system and establish a popular and democratic one, our country carried out the general tax reform together with the reform of tax system in the countryside.

Only when the urban dwellers as well as the peasants are freed from the yoke of the old colonial tax system in this way, can it be said that a popular and democratic tax system has been established.

The general tax reform was necessary for sweeping away survivals of the colonial taxation system imposed by the Japanese imperialists and was indispensable under the new historical situation in which democratic reforms had been carried out.

With the agrarian reform, nationalization of major industries and other democratic reforms, the socio-economic and class relations underwent a radical change in our country.

As a result of democratic reform, the state-run economy came to prevail in the national economy. In addition, there were private trade and manufacture and handicraft as the path of free development for medium and small non-comprador capital was left open by the nationalization of major industries.

Along with this, as a result of agrarian reform the private farming became predominant in the countryside.

This brought about change in the composition of our population and in their income.

This situation urgently required that the adequate tax system was established.

Perceiving these new conditions created by the democratic reforms, the great leader Comrade Kim Il Sung set forward the policy of sweeping away the survivals of the colonial taxation system of the Japanese imperialists and establishing a new popular and democratic one by carrying out the general tax reform and gave intelligent guidance to its accomplishment. Here the most important thing was to simplify the items. This derived from the aim of the general tax reform.

The general tax reform was aimed to do away with the survivals of the colonial tax system and establish a popular and democratic one.

For the purpose our country radically cut down tax items.

So, taxes have been roughly divided into three categories: national tax, provincial tax, and municipal and sub-county tax. There were 58 kinds of taxes in the closing days of Japanese imperialist rule. They were reduced to 21 items after liberation and then to 16 items.

National taxes included income tax, agricultural tax in kind, inheritance tax, registration tax, customs and transaction tax; provincial taxes—house tax, vehicle tax, real estate acquisition tax, food and drink tax, pari-mutuel ticket tax and primary school tax; municipal and sub-county taxes—land tax, market tax, butchery tax and county and sub-county maintenance tax.

To fix the tax rates fairly was another important

question in a general tax reform.

Fair tax rates made it possible to impose taxes on all inhabitants equally and properly combine their interests with those of the state.

For the purpose our country introduced the progressive individual income tax commensurate with the character and scale of income and markedly lowered its rates.

According to its character and scale, the individual income tax was divided into earned income tax, business income tax and free income tax, and tax rates were differentiated in consideration of the size of income.

Earned income tax was imposed on factory and office workers on the basis of their income in the preceding year, taking into account fluctuations in market prices, economic and living conditions, taxpayer's individual conditions and others.

Formerly, the rate of earned income tax was 9.2 per cent at the lowest and 37.2 per cent at the highest but, through the reform of tax system, it was lowered to 6 per cent and 20 per cent respectively, and the mean rate was 9 per cent.

The rates of income tax levied on factory and office workers were fixed low in view of the fact that they were masters of the state and means of production and that the income they earned with their own labour was smaller than that of private traders and industrialists.

Rates of Earned Income Tax Compared with Former Ones

Categories of income	Amount of income	In the days of Japanese imperialist rule (1945)		1946		1947	
		Tax rates	Amount of tax	Tax rates	Amount of tax	Tax rates	Amount of tax
1-650 *won*	650	11.0	72	9.2	60	6.0	39
651-950 *won*	950	13.6	130	11.5	110	8.0	76
951-5,000 *won*	5,000	27.0	1,353	23.8	1,190	10.0	500
5,001-10,000 *won*	10,000	36.0	3,690	30.6	3,060	15.0	1,500
over 10,000 *won*	20,000	44.7	8,938	37.2	7,440	20.0	4,000

The pension of the sick and the wounded, soldiers and security men's pay and retirement grants given to the bereaved family were exempted from income tax.

The business income tax was levied on individual entrepreneurs and traders.

Their income was an unearned income which derived from exploitation, so their income tax rates

were fixed differently from the earned income tax rates.

The super progressive tax rates were applied to the business income exceeding the fixed amount whereas the earned income tax was levied at the simple progressive rate.

The business income tax was levied on the basis of the yearly income: the minimum rate was 12 per cent, the maximum rate—63 per cent, the normal rate—26 per cent. The business income tax was collected monthly.

Application of the super progressive tax rates to the business income tax was aimed to prevent the excessive accumulation of capital of individual entrepreneurs and traders.

In those days they increased their income through sound economic activities but some of them tried to gather large capital by securing unfair unearned income through dishonest practices.

The practices of accumulating large capital by gaining unearned income were incompatible with the democratic development of the society and if they had been allowed, it could have brought about confusion in the economic life of the country and retarded its development.

So, application of super progressive rates to the business income tax was beneficial to leading individual entrepreneurs and traders to the right path and to ensuring the democratic development of the society and economic development of the country. When there was marked change in the amount of income of individual entrepreneurs and traders due

to calamities and change of business and for other unavoidable reasons, the state accordingly increased or lowered the business income tax on them or exempted them from it to ensure their business activity and fairness in the levy of tax.

Free income tax was imposed on handicraftsmen and free labourers.

The income they and their families earned by their labour was quite different in nature from that of individual entrepreneurs and handicraftsmen.

But handicraft was the soil on which capitalism grew and the income of handicraftsmen constantly changed, so this was taken into account in applying the income tax rates.

With this in view, the rates of free income tax were fixed much lower than those of taxes on individual entrepreneurs and traders, but in case the size and character of the income of handicraftsmen and free labourers were similar to that of individual entrepreneurs and traders, the same tax rates were applied to them.

Our tax reform markedly lowered not only the rates of income tax but also those of other taxes.

Thus, in our country the rates of all kinds of taxes were fixed low in conformity with the popular and democratic character of the new taxation system. As a result, the masses of the people came to be relieved of heavy burdens of the old tax system, and their living conditions were improved while the finances of the country were consolidated.

What was important following the tax reform was to successfully collect taxes.

For the successful collection of taxes it was carried out drawing on the voluntary enthusiasm of the inhabitants.

Taxpayers are the people themselves and taxes are entirely used for their welfare and the building of a sovereign, independent country.

So, collecting taxes drawing on the voluntary enthusiasm of the inhabitants was indispensable for its success.

For the purpose the popular and democratic character of taxes was brought home to them.

At the same time, the guidance and control of the state over tax collection were strengthened.

The people's committees at all levels carried on tax collection with the positive help of political parties and social organizations.

The state fixed the procedure and method of tax payment, offering maximum convenience to the taxpayers, and strengthened the return system.

The free income tax was also collected on the return system.

The state strengthened inspection of the tax collection.

It was designed to defend the interests of all sections of the population and take sanction against a handful of violators of the tax law.

Some traders and entrepreneurs who were steeped in old ideas and did not clearly see the superiority of new social system, attempted to evade taxes, only looking to their own interests, while some unhealthy financial officials tolerated them.

After liberation the state regularly examined if

there were practices of evading taxes or tolerating it and investigated the cases of omission in taxation, tax evasion, default in payment and took measures against them.

At the same time, it strictly guarded against imposing unwarrantable burden on the population in violation of the tax law.

The taxpayers who deceived the state and violated the tax law were punished by law according to the relative seriousness of their actions.

The fair and timely collection of taxes brought in the estimated revenue and ensured proper implementation of the national budget.

Thus taxes came to contribute to state administration, economic construction, cultural development and the improvement of the people's living standards.

3. EFFECTIVE USE OF THE LEVER OF TAXES IN THE BUILDING OF A NEW SOCIETY

1) EFFECTIVE USE OF THE LEVER OF AGRICULTURAL TAX IN KIND

One of the important things in solving the tax problem was to make an effective use of the lever of taxes in building a new country.

Our country first made an effective use of the lever of the agricultural tax in kind to propel the building of a new country.

Agricultural tax in kind was directly related with the question of agriculture and peasants. So, the effective use of the lever of the agricultural tax in kind at each stage of the revolution and construction was of great importance in accelerating rural construction and the building of a new country as a whole.

The great leader Comrade Kim Il Sung made a scientific analysis of the role of lever of agricultural tax in kind in the solution of the question of agriculture and peasants and advanced a policy of making an effective use of it at each stage of the revolution and construction and wisely guided its implementation.

What was important here was to use it for stabilizing and improving the peasants' life and stimulating their zeal for increased production in the period of democratic construction.

It was an important problem to be tackled after democratic reforms in our country to quickly stabilize and improve the peasants' life and arouse their enthusiasm for increased production.

Our peasants became masters of land thanks to the agrarian reform but their living standards were generally low due to the evil aftereffect of Japanese imperialist colonial rule.

In particular, the peasants in the in-between and mountain areas were badly off owing to their unfavourable natural and economic conditions.

So, in the period of democratic construction, it was vitally necessary to stabilize and improve their life. Only then was it possible to make them enjoy

the benefit of the agrarian reform in practice and give full play to the advantages of the people's democracy.

It was a pressing requirement of these days to arouse the peasants' enthusiasm for increased production.

This was because the shortage of provisions and farm produce to be used as raw materials should be quickly alleviated.

As a result of the abandonment of a large amount of land and curtailment of agricultural production owing to the Japanese imperialists' colonial policy for the plunder of rural communities, after liberation the country suffered an acute shortage of food and farm produce serving as raw materials which were needed for the rehabilitation and development of the national economy.

In order to alleviate the acute shortage of provisions and farm produce serving as raw materials on our own account, it was necessary to bring about a great upsurge in agricultural production by arousing the peasants' enthusiasm for increased production.

In order to stabilize and improve the peasants' life, particularly to speedily raise the living standards of those in the in-between and mountain areas, we lowered the rates of tax in kind for the dry fields as a whole while reforming the rates of agricultural tax in kind.

The great leader Comrade Kim Il Sung said:

"We should make some adjustments to the rate of agricultural tax in kind so as to bring about speedy improvements in the living standards of the

tillers of burnt land and other mountain peasants. We intend to make it 10 per cent for the burnt land and 23 per cent for the rest of the dry fields."

Promulgating the law on agricultural tax in kind in 1946, immediately after liberation, we fixed uniformly its rate at 25 per cent of the harvest yield for each peasant household. This rate correctly combined the interests of the peasants with those of the state but did not take into account the difference in the natural and economic conditions of different areas and the different harvest yields of different crops.

So, after delivering the tax in kind at the rate fixed by the state some peasants could have a great deal of grains at their disposal but others could not because of difference in the fertility of land and in sorts of raised crops even if they expended labour of the same quality and quantity.

Because of this, the living standards of the peasants in the areas of less favourable natural and economic conditions and slash-and-burn or dry field farmers were not improved as rapidly as those of the peasants in the areas of favourable natural and economic conditions and the paddy farmers.

Taking this situation into account, our country revised the rates of agricultural tax in kind in May 1947 and July 1949.

According to the newly revised rates of agricultural tax in kind, the tax to be paid to the state was 27 per cent of the yield for paddy, 23 per cent for dry field crops and potatoes and 10 per cent for crops on the burns.

The revised agricultural tax in kind helped to

speedily improve the living standards of dry field farmers, fire-field farmers and other farmers in in-between and mountain areas in particular.

The tax rate for rice paddies was raised by two per cent and became 27 per cent, for this did not substantially affect the living standards of the paddy farmers. In those days paddy farmers gathered in 75 per cent more harvests than the dry- and burnt-field farmers did at the same expenditure of labour. In addition, with the rapid growth in agricultural output the quantity of grains at the disposal of paddy farmers after the delivery of the tax in kind fast increased.

Another reason was that collecting agricultural tax in kind, the state could not reduce the absolutely needed amount of grains.

When the state first fixed agricultural tax in kind at 25 per cent of yield it did not make allowance for the sufficient reserve of food grains. So, revising the rates of agricultural tax in kind, the state could not reduce the tax rate for all kinds of grains without due consideration of national food situation for the sake of stabilizing and improving the peasants' life.

The tax rate could not be reduced for all kinds of grains also because it was necessary to meet the demand for food grains which rose with the development of industry and the increase of factory and office workers.

Next, our country paid deep attention to stimulating the peasants' enthusiasm for increased production.

For the purpose the reclaimed or restored land

was exempted from the agricultural tax in kind for three years after it started to be cultivated.

In those days the extension of the area under cultivation was one of major ways for increasing agricultural output.

Our country which had not large area under cultivation due to the aftereffect of the colonial agricultural policy of the Japanese imperialists, had to introduce modern farm machines and advanced farming technology. But this was infeasible because the industry was still backward and the technical and cultural levels of the peasants were low.

In these conditions, the best way to increase agricultural production was to extend arable land. Then, our country had no small land which could be brought under cultivation if the people made efforts, displaying much enthusiasm and pooling their wisdom.

Taking this situation into account, the state issued the Law on Land Reclamation in North Korea on June 10, 1946 so that land reclamation was energetically conducted in a nationwide campaign. In case peasants reclaimed or restored land, the state exempted them from the agricultural tax in kind for three years after they cultivated crops there.

The peasants welcomed the promulgation of this law and rose up as one man in reclamation of arable land. As a result of their strenuous efforts to extend the area of cultivable land, 19,750 hectares of arable land were reclaimed in 1947 and 22,830 tons of rice produced there. In 1948 more than 16,400 hectares of cultivable land were reclaimed and 26,702 hectares of land restored. As a result, in 1949 paddy fields

increased by 20.5 per cent and non-paddy fields, by 30.8 per cent compared with the respective figures in 1946. In 3-4 years the area under crops increased by more than 23 per cent and so a great deal of grain was harvested there.

To let peasants take an interest in production of vegetables and industrial crops and stimulate their zeal for increased production, the state reduced the rate of tax in kind on them. Increase of the output of vegetables was of great importance in solving the question of subsidiary food for factory and office workers. Only by increasing the output of cotton, flax, tobacco, *insam* (ginseng), hop and other industrial crops was it possible to meet fully the demand of light industry including textile and foodstuff industries on our own.

For the purpose, it was necessary to arouse the enthusiasm of the farmers for increased output. Hence, revising the rates of the agricultural tax in kind, the state took the measure of lowering the tax rates on vegetables and industrial crops.

The tax in kind on cotton, flax fibres, tobacco, opium, *insam* and hop was fixed at 23 per cent of the yields and that on other industrial crops and vegetables, at ten kilogrammes of grain per one hectare of the area under crops (This was 15 per cent lower as compared with the tax rate on other non-paddy field crops). The state levied the tax of 23 per cent of the yield or 20 kilogrammes of grain (rice) per hectare on special vegetable growers.

These measures stimulated the interest of farmers in the production of vegetables and industrial crops, so that they worked hard to increase them. So

the output of vegetables and industrial crops increased year after year. This made it possible to solve the question of non-staple foodstuffs for urban population and that of farm products serving as raw materials for light industry.

An important thing in making effective use of the lever of the agricultural tax in kind was to see that it served a successful progress of cooperativization of agriculture in the period of socialist revolution.

The cooperativization of individual peasant economy in our country is the most important task in the stage of socialist revolution. In our country it came to the fore as an urgent requirement in the postwar period.

Due to the war the material and technical foundations of our rural economy were badly destroyed. There was a scarcity of draught cattle and farm implements and an acute shortage of labour force in the countryside. The peasants' living conditions were very hard and impoverished peasants accounted for nearly 40 per cent of our rural population.

Such being the situation, so long as private peasant farming was left intact, it was impossible to ensure the rapid development of agricultural productive force and solve the acute food problem and the problem of peasants' living which posed themselves as very serious questions in the postwar days. If private peasant farming had been left intact, there would have occurred imbalance between the industry which was fast developing along a planned course and the slowly recovering agriculture and there was

a danger which might seriously interfere with the development of the national economy as a whole.

Hence, taking the postwar period as most appropriate for agricultural cooperativization, our country pushed ahead with agricultural cooperative movement.

At the same time, regarding guidance and assistance of the Party and the state to the agricultural cooperatives as a major guiding principle of cooperative movement, our country gave political-ideological, material-technical, labour and financial assistance to the cooperatives and made an effective use of the lever of the agricultural tax in kind.

The state first of all revised the method of levying the agricultural tax in kind upon the cooperatives.

The great leader Comrade Kim Il Sung said:

"...We are planning to fix the amount of tax in kind taking the average annual harvest as the standard. For example, if a *chongbo* of field yielded a ton of maize in a year and 1.6 tons in another year, then for purposes of taxation we will estimate 1.3 tons as the average annual harvest."

Introduction of the fixed tax in kind aimed at consolidating the economic foundations of the fast growing cooperatives and improving the livelihood of their members rapidly, thereby displaying the advantages of the cooperative economy to the full. It also aimed at increasing the revolutionary zeal and creativity of peasants to bring about a fresh upsurge in agricultural production.

The fixed tax in kind was levied for three years

till 1958 with the amount of tax in kind levied in 1956 taken as the standard.

The state revised the agricultural tax in kind which was based on the yearly assessment of harvest yields and introduced a new system of agricultural tax in kind based on the average annual harvest.

The average annual harvest for cooperative farms was taken by averaging the harvests for the latest three years or the years preceding them. But when the assessment of the yield was higher or lower than the actual harvest, it was reassessed. In case the latest three years were not suitable for counting the average annual harvest, because of natural calamities or for other reasons, the average annual harvest for three years excepting the year concerned was taken as the standard.

After the amount of tax in kind was fixed, tax was not levied additionally on the increased output which the cooperatives achieved by arousing the farmers' zeal and by introducing advanced farming methods. On the contrary, when due to natural disasters harvest considerably dropped compared with the assessed yield, the tax in kind was lowered or exempted.

As for the plots cultivated by cooperative farmers individually, agricultural tax in kind was levied on them on the basis of the assessment of the yield as on the jointly cultivated land of cooperatives. Even if the plots yielded more than the assessed harvest, tax in kind was not levied additionally. When their harvest dropped due to natural disaster, tax in kind was levied, taking the actual situation into account.

The introduction of the fixed tax in kind induced

the cooperative farmers to ameliorate and reclaim land, increase fertility of land and introduce advanced farming techniques. This made it possible to increase agricultural output, consolidate the economic foundations of cooperatives and augment income of the farmers from year to year. As a result, advantages of cooperative farming over private farming were demonstrated in practice and agricultural cooperative movement vigorously expedited.

In addition to the introduction of the fixed tax in kind the state markedly lowered its rate in order to bring agricultural cooperativization to success.

In revising the rates of agricultural tax in kind the state differentiated them in consideration of the fertility of land and the harvest yields, and lowered tax rates for the categories of land of lower fertility.

The rates of agricultural tax in kind according to land fertility are as follows:

The grade of paddy fields	The rate of agricultural tax in kind (%)	The grade of dry fields	The rate of agricultural tax in kind (%)
First grade	27	First grade	23
Second grade	25	Second grade	20
Third grade	22	Third grade	17
Fourth grade	20	Fourth grade	15
		Fifth grade	12
		Sixth grade	10

(Previously there were 25 and 27 per cent taxes on paddy fields and 10, 15 and 23 per cent taxes on dry fields.)

As shown above, the state lowered the rate of agricultural tax in kind as a whole and, moreover, granted agricultural cooperatives the privilege of levying five per cent lower tax than that on private peasants.

Furthermore, the state lowered agricultural tax in kind on the land of agricultural cooperatives in mountain areas between 1956 and 1958: by 50 per cent on the burnt land and by 25 per cent on semi-burnt land respectively.

In addition, the state reduced the unpaid tax in kind and loaned grain of poor peasants and the families of servicemen or exempted them from their payment, and took measures to reduce them or exempt agricultural cooperatives and private peasants from their payment when they suffered from natural calamities according to the extent of the damage.

Thanks to these state measures the advantages of cooperative economy were fully displayed and the agricultural cooperativization movement made rapid progress.

As a result, the public accumulation of agricultural cooperatives increased yearly. Their total income increased yearly by five per cent till 1956, while in 1957 and in 1958 it rose by 10 and 15 per cent respectively. This rapidly consolidated the economic foundations of agricultural cooperatives. In 1958 the total value of their common property amounted to about 686 million *won*, which meant 51,500

won per cooperative and 650 *won* per farm household on an average. This means that in 1958 the average value of common property per household grew 2.4 times the 1955 figure.

With the advantages of agricultural cooperative economy displayed to the full, the share of cooperative members increased every year.

In 1958 the share of cooperative members rose 1.5 times in grain, 2.6 times in potatoes and 3.6 times in cash as against 1955. As a consequence, the problem of impoverished peasants in the postwar period was solved completely and the living standard of cooperative members as a whole reached that of middle peasants.

With the superiority of agricultural cooperatives demonstrated fully and the agricultural cooperative movement pushed ahead energetically, agricultural cooperativization in our country was accomplished in four or five years after the war. As a result, the sources of exploitation and oppression were for ever wiped out and the advanced socialist system was established in the countryside.

What was important in making effective use of the lever of agricultural tax in kind was to make active use of it for the consolidation of the agricultural cooperative economy in the period of socialist construction.

Consolidation of the agricultural cooperative economy after socialist revolution posed itself as an important task for the final solution of the rural question and further for the acceleration of the building of socialism.

Consolidation of the socialist agricultural coop-

erative economy calls for three revolutions in the countryside. For the purpose, support of towns to the countryside and assistance of industry to agriculture must be radically increased. One major way for this is to increase financial assistance to cooperative farms. This requires the rational use of the lever of the agricultural tax in kind.

In order to increase financial assistance to cooperative farms the assessment of the agricultural tax in kind was altered and its rate drastically reduced in February 1959.

The great leader Comrade Kim Il Sung said:

"True, industry has long been assisting agriculture, but now the time has come for industry to render more comprehensive assistance to agriculture so as to accelerate the technical revolution in the countryside, lighten the peasants' work and increase their incomes. Proceeding from these considerations, we have taken measures to reduce the rate of the tax in kind to 8.4 per cent on an average, and even to completely exempt some cooperatives from it."

The state did not assess the agricultural tax in kind on the mean harvest as in the past but on the basis of the state agricultural output plan for 1959 and maintained its assessment.

In addition, the state rationally regulated the rating of the agricultural tax in kind and radically reduced its rate.

The sharp reduction of the agricultural tax in kind was a just measure which met the requirement of the new situation created by the establishment of the socialist rural economy.

The economic foundation on which the socialist

state relied changed with the establishment of the socialist rural economy.

The state is now based on state and cooperative economies, whereas it was on the basis of state, small commodity and capitalist ones in the past.

Now the state became entirely responsible not only for the development of state economy and the livelihood of factory and office workers but also for the development of cooperative farms and the livelihood of the cooperative farmers.

As the state took charge of the development of cooperative farms and the livelihood of cooperative farmers, it was necessary and essential for the state to reduce drastically the rate of the agricultural tax in kind.

On the other hand, the character of the agricultural tax in kind accordingly changed.

When the private peasant economy was dominant in the countryside, the agricultural tax in kind was the form of the obligatory delivery of part of private farmers' income for the state budget, whereas after the establishment of the agricultural cooperative economy the tax paid by cooperative farms became the form of converting part of the income the cooperative farmers produced for the society and collective into the state income.

With the change of the character of the agricultural tax in kind the drastic reduction of its rate increased the share of cooperative farms in net social income and thus helped strengthen the economic foundation of the agricultural cooperative economy. This eventually brought about consolidation of the state's economic foundation.

The sharp reduction of the rate of the agricultural tax in kind was a just measure which was taken in consideration of consolidation of the country's economic foundation.

With the ravaged industry rapidly restored and the foundation of socialist industrialization laid in the Five-Year Plan period, a rapid increase showed in accumulation within industry. As a result, the share of industry in the state revenue grew from year to year.

In 1959 the share of industry in the gross national revenue increased to 95.3 per cent, whereas it was 82.2 per cent in 1957. On the contrary, the share of agriculture in the national revenue decreased from 17.8 per cent to 4.7 per cent in the same period.

This meant that the accumulation in industry alone was not only sufficient to manage, in the main, the economic life of the country but also enabled industry to render powerful assistance to agriculture.

This made it possible to reduce drastically the rate of the agricultural tax in kind.

The maintenance of the sharply reduced rate of the agricultural tax in kind after the establishment of the socialist agricultural cooperative economy brought about rapid growth in the public accumulation of cooperative farms every year.

The increased joint reserve fund of cooperative farms was appropriated for building production facilities and cultural and welfare establishments and for the purchase of up-to-date farm machines and implements, which accelerated the technical and cultural revolution in the countryside.

In addition, it made it possible to increase the share of cooperative farmers and improve their livelihood. The following table shows the growth of share per household (in per cent).

Items \ Year	1954	1958	1963
Grains	100	239	372
		100	156
Cash income	100	506	1,200
		100	241

With the increase of the share of cooperative farmers, they reached the level of middle or well-to-do middle peasants.

2) THE RATIONAL USE OF THE LEVER OF THE INDIVIDUAL INCOME TAX

Next, our country made a rational use of the lever of the individual income tax in accelerating building of a new society.

The rational use of the lever of the individual income tax was very important in stepping up the building of a new society. Unlike the agricultural tax in kind which is related to the question of agriculture and peasants, the individual income tax mainly

relates to the question of urban dwellers and industry. Hence, the rational use of the lever of the individual income tax at each stage of the revolution and construction makes it possible to solve successfully the question of the livelihood of urban dwellers and the development of industry and step up the building of a new society.

The great leader Comrade Kim Il Sung gave scientific analysis of the role of the lever of the individual income tax in the solution of the question of the livelihood of urban dwellers and the development of industry, set forward the policies of making rational use of the lever of individual income tax at each stage of the revolution and construction and wisely led the work of their implementation.

What was important in making rational use of the lever of the individual income tax was to use it, above all, for stabilizing and improving the livelihood of factory and office workers and other urban dwellers and for giving full play to the creativity of private merchants and manufacturers in the rehabilitation and development of the national economy in the period of democratic construction.

With the successful enforcement of nationalization of major industries and other democratic reforms immediately after liberation a people's democratic system was established in our country.

This brought about radical change in the socio-economic situation of factory and office workers and other urban dwellers and considerable improvement in their livelihood. However, owing to the aftermath of Japanese imperialist colonial rule the livelihood of factory and office workers and other urban dwellers

was on a very low level. Hence, it posed itself as an important task in the period of democratic construction to raise the living standards of urban dwellers evenly. Only by rapidly raising the living standards of urban working people, factory and office workers in particular, was it possible to make them take part in building a new society with high pride and consciousness of their being masters of the country and means of production and give full play to the advantages of the people's democratic system.

On the other hand, it was a matter of urgency in this period to give wide scope to the creativity of private merchants and manufacturers for the rehabilitation and development of the national economy.

It was because at that time our industry, light industry in particular, was in a very backward state. During their colonial rule the Japanese imperialists built a few raw material and semi-manufacture industries in our country to plunder our abundant resources but nearly did not develop light industry.

They brought in the daily consumer goods produced in their country and sold them to our people. The Japanese imperialist rulers did not allow Koreans to acquire the know-how of light industry.

As a result, our country lagged far in the output of consumer goods and even the traditional handicrafts greatly declined.

Hence, it was a matter of urgency to boost the output of consumer goods in our country.

This called for the state efforts. But as the general economic situation of the country was difficult,

it was impossible to concentrate the state efforts on the output of consumer goods alone.

Such being the situation, in order to boost the production of consumer goods, it was necessary to mobilize the state efforts for the purpose on the one hand and on the other actively enlist the capital of private merchants and manufacturers and give full play to their creativity in the production of consumer goods.

Our country first of all reduced the general rate of the individual income tax to stabilize and improve the livelihood of urban dwellers.

In 1949 the state, in general, altered the rate of the individual income tax which had been fixed in 1947 in effecting tax reform.

The rate of the individual income tax was generally reduced, while that for factory and office workers was much more lowered.

Thus, factory and office workers came to pay the state the progressive excess labour income tax of 4-14 per cent instead of previous simple progressive labour income tax of 6-20 per cent. As a result, they were exempted from the income tax of 39 per cent of the former on an average, 49 per cent at the highest, and received the benefit of five or six hundred million *won*.

In addition, income tax was not levied on the interest from the deposit in the bank and savings bank, the insurance indemnity paid by the insurance company, and the annuity paid by the state to the persons of distinguished service.

Thus, the rate of labour income tax was lowered

for factory and office workers and the low-income men were exempted from the income tax so that their livelihood was stabilized and they worked with a high grade of revolutionary enthusiasm.

In revising the rate of income tax its rate for private merchants and manufacturers and casual dealers was lowered so that they gave full play to their creativity for the development of the national economy.

The business income tax and free income tax for private entrepreneurs, merchants and casual dealers and others were lowered from 12-63 per cent to 10-55 per cent. As a result, income tax was reduced by 14 per cent on an average and by 22.4 per cent at the highest. Particularly, the rate of business income tax for textile industrialists and sericulturists was lowered 10 per cent more than that for other entrepreneurs.

The income tax for free labourers and hunters was reduced 15 per cent more than that for private entrepreneurs, merchants, casual dealers. As a result, the income tax of the former was reduced by 28 per cent on an average.

Reduction of business income tax for private entrepreneurs, merchants and casual dealers induced them to make proper use of their capital for the output of people's consumer goods and the development of the national economy and make positive contribution to building of a new country by giving full play to their patriotic zeal and creativity. Particularly, private entrepreneurs were assigned to the quota accounting for 37 per cent of the gross output value of daily necessaries in the plan of the national

economy for 1948 and the quota assigned to them in the gross output value of local industry for the Two-Year Plan of the national economy was 37 per cent in 1949 and 28 per cent in 1950.

Private entrepreneurs and merchants not only strived to produce the large goods output quota they received from the state but also took active part in the patriotic donation campaign. Merchants and manufacturers in Pyongyang and Wonsan alone, for example, donated 20 and 15 million *won* respectively to the state in preparation for the enforcement of the compulsory primary education in February 1949. In the latter part of that year many entrepreneurs and merchants gave the state donations to aid the defence of the motherland, among them those in Hamhung donated over ten million *won*.

In revising the rate of the individual income tax in our country, its rate for men of culture and art and technicians was lowered. Men of culture and art, translators and inventors received remuneration for cultural labour in addition to their basic pay, from which the small income tax of 5 per cent was levied. The income tax levied on the private physicians running hospitals was 15 per cent lower than the business income tax for entrepreneurs and merchants.

Next in importance in the rational use of the lever of the individual income tax was to make positive use of it for the socialist transformation of handicraft, private trade and manufacture in the period of socialist revolution.

The socialist transformation of handicraft, private trade and manufacture was posed as a very important

task in the period of socialist revolution.

In levying income tax a special favour was granted to the cooperatives organized with handicraftsmen, private merchants and manufacturers in order to promote the socialist transformation of our handicraft, private trade and manufacture.

In our country producers' cooperatives involving handicraftsmen, housewives and petty bourgeoisie and fishery cooperatives involving petty fishermen started to be organized in 1947.

The state exempted fishery cooperatives from income tax for one year after their establishment and halved income tax for producers' cooperatives for servicemen's families for three years after their establishment. The producers' cooperatives using local materials were exempted from income tax for two years after their establishment.

According to the new tax law enforced in August 1947 the income tax levied on the members of cooperatives was much lower than that on private handicraftsmen and 10 per cent or so higher than the labour income tax for the factory and office workers of the state sector.

This privilege in the levy of income tax helped consolidate the economic foundation of the newly established cooperatives, made them increase the output of consumer goods and marine products by actively using the latent local raw materials and accelerated the socialist transformation of handicraftsmen and housewives doing some pay job.

As a result, by the close of 1949 22.5 per cent of handicraftsmen (among them 11 per cent through

the cooperatives) became socialist workers and the share of cooperatives in the gross industrial output value rose to 5.2 per cent in 1949. In 1950 fishery cooperatives carried out the production quota accounting for 3.5 per cent of the total fish catch.

In the period of the Fatherland Liberation War the cooperatives were offered a privilege in the levy of income tax to promote the socialist transformation of handicraft and increase the output of consumer goods.

In January 1953 the state revised the law on the income tax for cooperatives and accorded different privileges to the newly organized producers' cooperatives for disabled soldiers, servicemen's families and dependents.

Formerly, a certain privilege of reducing tax was conferred on them in fixing the amount of income tax, taking that for private enterprise as the standard, whereas according to the new revised law the income tax for them was separated from that for private enterprise and a very low one was levied on them.

The producers' cooperatives using latent local raw materials were exempted from income tax for one year after their establishment.

The state exempted the producers' cooperatives for disabled soldiers from income tax for one year after their establishment as well and reduced it for later years.

These privileges accorded by the state in the difficult wartime helped vehemently to accelerate the socialist transformation of handicraft, and rapidly increase the output of consumer goods on the basis

of cooperative industry to stabilize the people's livelihood in the wartime.

Our country paid a profound attention to the more rational use of the lever of income tax with the progress of the socialist transformation of handicraft, private trade and manufacture in real earnest after the war.

The law on income tax for cooperatives which had been revised in January 1953 was in force thereafter and in revising the individual income tax in December 1955 the income tax for labour remuneration of members of producers' and fishery cooperatives fixed five per cent higher than the labour income tax for factory and office workers while it was 10 per cent higher formerly. The tax on the dividend for them was levied 10 per cent lower than the business income tax for private handicraftsmen.

This helped consolidate the economic foundation of producers' cooperatives and rapidly improve the livelihood of their members.

In addition, such use of the lever of income tax in our country helped propel the socialist transformation of handicraft, private trade and manufacture and complete it in August 1958 by giving full play to the advantages of cooperative economy.

After the war the lever of individual income tax was used to improve the livelihood of population evenly.

Living was very hard with our people after the war provoked by the US imperialists which caused them much damage and it posed a very important task to improve rapidly their livelihood.

Our country radically reduced the individual income tax, that for factory and office workers in particular, to improve rapidly the living standards of the people.

The income tax for factory and office workers was reduced by 30 per cent in August 1955, which was followed by the revision of the income tax law in December that year and further reduction of the rate of the income tax for them.

As a result, factory and office workers came to pay income tax amounting to 2.6-10 per cent of their income instead of the former tax equaling to 4-20 per cent of their income. Thus they came to pay 30 per cent less income tax as a whole. Particularly the income tax for factory and office workers earning monthly income of 2,000 *won* and less was reduced by 32.7 per cent.

This measure helped improve the livelihood of factory and office workers and induced the working people in different fields of the national economy to give full play to their creativity.

In revising the tax law, the state reduced the rate of income tax for not only factory and office workers but also for handicraftsmen and private merchants and manufacturers.

While reducing the general rate of income tax for handicraftsmen and private merchants and manufacturers, the state more reduced that for the low-income groups and accorded to productive enterprisers the privilege of lower income tax than that for other enterprisers.

In this period the state took measure of making

20 per cent reduction of income tax for productive enterprisers.

On the other hand, the state raised the rate of income tax for high-income enterprisers and merchants.

This was an entirely positive measure which made an effective use of the lever of income tax so as to improve the livelihood of the war-ravaged handicraftsmen and private merchants and manufacturers and induce them to increase the output of consumer goods by giving full play to their creativity.

This checked the growth of capitalist elements among entrepreneurs and merchants and induced them to enter the road of cooperativization indicated by the Party and the state.

* Our country made an effective use of the local self-government tax at each stage of the revolution and construction since it, an important form of tax beside the national tax, assumed a certain proportion in the revenue in the local budget.

In our country the local self-government tax was mainly employed to regulate and improve the livelihood of the local people, stimulate the development of the local economy, check and control the growth of capitalist elements and accelerate the socialist transformation of handicraft and private trade and manufacture.

The state laid down the 10-item local tax in revising taxation as a whole in 1947, whereas in 1950 it abolished five tax items including primary school, municipal and sub-county taxes and considerably

reduced the rate of other taxes. Later it revised the local tax law and introduced the uniform local self-government tax and steadily reduced it with the increase of the share of the revenue from the state and cooperative enterprises in the local budget. When the local self-government tax came to assume negligible proportion in the revenue in the local budget and play little role in the development of the local economy, it was abolished along with other taxes.

4. COMPLETE ABOLITION OF TAXATION

1) ABOLITION OF AGRICULTURAL TAX IN KIND

Next, what was important in solving the question of taxation was to abolish the taxation system itself.

The abolition of taxation system meant the final solution of the question of taxes.

It is part of the effort to fully realize the Chajusong of the masses of people.

The revolutionary struggle and the work of construction are for the defence and complete realization of their Chajusong.

For the purpose they should be freed from class exploitation and national subordination and the remnants of old society be eliminated from all fields of social life so that they fully enjoy an independent and creative life as the genuine masters of nature and society.

The final solution of the question of taxes through abolition of the taxation system itself is a great revolution to free the working people from the residues of the old society and meet their centuries-old desire.

Our people struggled against the plunder through harsh taxation in the long years of exploiter society and, in particular, ceaselessly fought against the murderous taxation system under Japanese imperialist colonial rule.

But they failed to win victory because their struggle was not combined with the political struggle for power.

Only when our revolution began to be guided by the Juche idea enunciated by the great leader Comrade Kim Il Sung, did their struggle become part of the revolutionary struggle against imperialism and exploitation system and enter the path of basic solution of the question of taxes.

In accordance with the Juche-oriented taxation programme advanced by the great leader our country abolished the Japanese predatory taxation system and introduced popular and democratic one. At the same time, it made effective use of tax revenues as supplementary fund resource for economic construction and cultural development and systematically reduced the tax burdens of the people with the consolidation of the economic foundation.

With the completion of the socialist transformation of production relations and laying of the foundation of socialist industrialization in our country the question of abolishing taxation system became the order of the day.

But taxation system cannot be abolished simply because it is posed as the inevitable demand and becomes the order of the day.

The question of abolishing taxation system depends on how to view and treat it.

When taxation system is simply considered as a practical economic matter related to the existence of the state, it cannot be abolished as long as the state exists.

The question of abolishing taxation system can be solved when it is considered as part of the revolutionary struggle to fully realize the Chajusong of the people and when it is viewed from the standpoint that the duty of communists is to meet their centuries-old desire to shake off the yoke of taxes.

Proceeding from this Juche-oriented standpoint, the great leader Comrade Kim Il Sung wisely led the work of abolishing taxation system in our country.

Our country first abolished the agricultural tax in kind and thus gave final solution of the question of rural taxation.

It was because the countryside lagged behind towns even after the establishment of the socialist system.

Leadership and assistance by the working-class party and state to the peasantry are indispensable conditions for the emergence, consolidation and development of socialist system in the countryside. The peasantry can enter the socialist path and then go over to communism, the supreme ideal of the mankind only under the leadership and with the assistance of the working class.

The workers and the peasants are allies fighting in concert for the same goal and ideal; they are all socialist working people.

All-people property and cooperative property are two forms of socialist property that develop in close coordination with each other and, together, constitute the economic basis of the socialist state. Therefore it is natural that the socialist state assumes responsibility for life of peasants as well as factory and office workers; it assumes responsibility for the development not only of the property of the whole people but also of the cooperative property. In the days of private peasant economy, each peasant was mainly responsible for his own husbandry and living, but after cooperativization, the Party and the state should assume responsibility for looking after the development of cooperative farms and the peasants' life.

Industry is the leading branch of the national economy and the towns are advanced over the countryside in all aspects of politics, the economy and culture. Agriculture can be equipped with modern techniques like industry only when industry, the leading sphere, gives it assistance, and the lagging countryside can rise to the level of the towns only when the towns, which are advanced, give it support.

Thus, in order to vigorously promote the technical, cultural and ideological revolutions in the countryside and gradually eliminate the distinctions between town and country after the completion of socialist cooperativization, the leadership and assistance of the Party and the state to the countryside should be strengthened in every way and the towns

should give active support to the countryside.

Needless to say, a formerly backward agrarian country like ours has no other way but to draw a certain amount of funds for socialist industrialization from the countryside for some time following the victory of the revolution. In such a state the contribution of funds by the peasants for the creation of an independent modern industry is in the interests of the whole society and is indispensable for the future development of agriculture and improvement of the living standard of the peasants, too.

But, once the foundation of socialist industry has been established, there must be a turnabout whereby industry comes to the aid of agriculture. From that time on, the countryside should be given greater assistance in all respects.

As in the past, after the establishment of the foundation of socialist industry in particular our Party saw that the state strengthened assistance for the development of agriculture and the improvement of the living standard of the peasants.

Even after the establishment of the advanced socialist system in the countryside the productive forces of agriculture were lagging behind those of industry and the living standard of the peasants was lower than that of workers because in the past our country did not go through the normal stage of capitalist development.

Such being the situation, in order to narrow down the distinctions between town and country and bring earlier the complete victory of socialism, it was necessary to bring ceaselessly closer the level of the productive forces of agriculture to that of industry

and the living standard of the peasants to that of the workers. This called for material, technical and financial assistance to the countryside. In this sense it was necessary to relieve cooperative farms and farmers of tax burden once and for all. Hence, the agricultural tax in kind was abolished first of all.

The great leader Comrade Kim Il Sung perceived the requirements for abolition of taxation system and set forward the policy of abolishing the agricultural tax in kind during the Seven-Year Plan at the Fourth Congress of the Workers' Party of Korea and wisely led its implementation.

The most important thing for the purpose was to create material conditions for the abolition of the agricultural tax in kind.

The socio-economic conditions for its abolition had already been created with the establishment of the advanced socialist system in town and country in 1958.

But the socio-economic conditions alone were not sufficient for the abolition of the agricultural tax in kind. Along with them material conditions should be created so as to make up for the tax in kind which assumed a certain proportion in the revenue in the national budget.

Our country created material conditions for the abolition of the agricultural tax in kind first of all by strengthening the economic power of the country through laying of the firm basis of industrialization and by ceaselessly increasing accumulation within industry.

Laying the basis of the industrialization of the country and increase of accumulation within industry

are the most important material conditions for the abolition of the agricultural tax in kind.

Otherwise, it cannot be abolished. It can be abolished at least only when the basis of industry capable of equipping the national economy with modern techniques on its own and of giving powerful support to agriculture is laid and the fund necessary for the purpose can be made up for by accumulation within industry.

Our country waged a powerful struggle to lay the basis of industrialization and create the independent and modern industry to increase accumulation within industry.

In the period of the postwar Three-Year Plan (1954-1956) our Party put great efforts into implementing the basic line of economic construction on ensuring the priority growth of heavy industry with the simultaneous development of light industry and agriculture.

In developing industry, heavy industry in particular, great efforts were put into restoring first the sectors which were vitally needed for the national economy of the country and people's life and would produce quick economic effect.

The anti-Party factional elements who had sneaked into the Party, cast slurs on the line of ensuring the priority growth of heavy industry and developing light industry and agriculture simultaneously, saying, "Too much stress is put on heavy industry when the people are badly off," or "Machines do not turn out rice."

Their design was to obstruct laying of the eco-

nomic foundations in our country.

However, our Party resolutely rejected their arguments and overfulfilled the postwar Three-Year Plan ahead of schedule by overcoming manifold difficulties through a hard-fought battle with tightened belt. As a result, the ravaged factories and enterprises were restored in the main and industrial production reached or surpassed the prewar level.

Following the fulfilment of the Three-Year Plan, the Five-Year Plan (1957-1961) was carried out in our country. Our Party defined the period of the Five-Year Plan as the first stage for technological reconstruction and set it as the central task for industry in this period to lay the basis of socialist industrialization so as to consolidate the foundations of an independent national economy and lay material and technological foundations for introducing modern technology in all branches of the national economy.

In the initial stage of the Five-Year Plan our Party was confronted with difficulties and trials due to the unprecedented "anti-communist" offensive of the US imperialists and their lackeys, naked challenge of the anti-Party factional elements and the shortage of materials and funds. However, our Party dealt telling counterblows to the offensive of the enemies at home and abroad and roused the people to the heroic struggle for surmounting all difficulties and hardships and bringing about a great upsurge in economic construction.

In response to the Party's call, the working people brought about changes on all fronts of socialist construction. They sought out all reserves and potentials everywhere and worked wonders. As a result,

socialist construction advanced at an amazing speed. In this course, a great upsurge was brought about in socialist construction and the Chollima Movement started, and the Five-Year Plan was carried out far ahead of time.

The Five-Year Plan was fulfilled or overfulfilled in two and a half years for gross industrial output value and in four years for all indices. During this period the rate of average annual increase in industrial production was 36.6 per cent and the total value of industrial output increased 3.5 times. This means that in 1960 industrial output was 7.6 times greater than in 1944.

With the fulfilment of the Five-Year Plan, the foundation of an independent national economy was laid and material preparations made for equipping all branches of the national economy with up-to-date technology in our country. Since then a rapid progress was made in industry on the basis of successes scored in the course of carrying out the Five-Year Plan. In 1964, our heavy industry turned out 12,500 million kwh of electricity, 14.4 million tons of coal, 1.34 million tons of pig iron and granulated iron, 1.13 million tons of steel, more than 750,000 tons of chemical fertilizer and 2.6 million tons of cement and various kinds of means of production and machinery and equipment. A firm foundation of socialist industrialization was laid and industrial output grew at a high rate, which resulted in the rapid increase of the accumulation within industry. Accordingly, the income from the socialist state economy assumed an overwhelming proportion in the gross state revenue and this played a decisive role in developing the

national economy and giving a powerful assistance to the rural economy. In 1959 the income from the socialist state economy accounted for 92.9 per cent of the gross state revenue, whereas it was 61.8 per cent in 1953 and its proportion increased continuously. On the contrary, the proportion of tax in kind from the agricultural cooperative economy gradually decreased in the gross state revenue and its significance in the country's economic life became trivial. In state revenue the proportion of agricultural tax in kind accounted for 6 per cent in 1953 and 0.8 per cent in 1959 and became further smaller in the first half of the Seven-Year Plan. This showed that the accumulation within industry alone furnished the funds for the development of the national economy and industrialization during the Seven-Year Plan.

The rapid industrial progress and the growth of the accumulation within industry enabled the state to concentrate into its hands food and raw materials for the town and industry without using the lever of taxation like agricultural tax in kind.

As the foundations of industrialization were laid and the accumulation within industry increased, the state concentrated into its hands the surplus farm products exceeding the demands of agriculture by purchasing them through procurement agency and ensured smooth supply of commodities to the countryside. This showed that economic ties between town and country could be established without the use of the lever of agricultural tax in kind delivered to the state. In addition, our country created material conditions for abolishing agricultural tax in

kind by developing the agricultural productive forces in all parts of the country.

Another important material condition was to narrow down the regional difference in the level of the agricultural productive forces by rapidly developing them in all parts of the country. Since agricultural tax in kind served as an important lever for the national revenue and as a means for adjusting the economic development of cooperative farms in different regions and the improvement of the living standard of the peasants, it cannot be abolished unless the agricultural productive forces in all regions reach such a level as to make such adjustment unnecessary. Hence, for the complete abolition of agricultural tax in kind it posed itself as an important question to bring the agricultural productive forces in backward areas up to their level in advanced ones. To this end, a series of state measures were taken in our country. Whenever the rate of agricultural tax in kind was revised, the state ensured that the cooperative farms in mountain and in-between areas were granted the privilege of reduction of or exemption from the tax in kind. The state took measures of reducing or exempting from delivery of grains for fertilizer, farm machines and irrigation charges, grain loans and bank loans.

The state supplied farmers good breeds and strains on a preferential basis. In addition, it took various steps for the cooperative farms in mountain areas to increase cash income as well as grain output by diversifying their economy through the utilization of the natural and economic conditions. It saw that those in mountain areas developed agriculture

and animal husbandry by making use of mountains, while those in coastal areas, agricultural production and fishing industry. Having instructed that those in mountain areas should make effective use of mountains, Comrade Kim Il Sung, the great leader of our Party and people, gave on-the-spot guidance to Changsong and many other areas, through which he created practical model showing that the inhabitants of mountain areas could live as well as those in plain areas. Changsong County is a remote mountain region whose land is all on the hillside of 45 degrees or so, and of low fertility and stony at that. In order to improve the livelihood of Changsong people, the great leader gave guidance to this county on the spot on many occasions. In order to put his teachings into practice our Party sent able officials there and gave systematic guidance so that they increased grain output and developed animal husbandry on a large scale by making effective use of the land and mountains.

Now Changsong people have attained self-sufficiency in food and laid the basis for producing grains enough to feed the inhabitants of another county.

While collecting wild fruits abundant in the mountains, cutting down trees in winter for paper production, they boosted grain output. On the other hand, they planted plenty of pepper, garlic and industrial crops which grew well there to rapidly increase their income. The example of Changsong was drawn on throughout the country and many new "Changsong" came into being in succession. As a result, the farmers in mountain areas of our country came to lead as abundant life as in plain areas.

The state gave a great deal of financial assistance to the farmers to rapidly improve their living standard and lighten their burdens.

In 1963 alone, it gave the benefit of 122,930,000 *won* (in the then currency) to the farmers by raising the state purchasing prices for industrial crops, sharply reducing the prices of materials and farm machines supplied to the farms and building production facilities at state expense.

In addition, the farmers were exempted from the taxes in kind on flax and hemp and on sideline income, from which they received the benefit of 50,150,000 *won* (in the then currency).

Deeply concerned about the livelihood of farmers, the great leader saw to it that over 1,190,000 suits of winter clothes, 394,000 pieces of underwear, 684,000 caps and 410,000 neckerchieves were sent to the children in the countryside in 1963 as the new year's gift. This means that the farmers enjoyed the benefit of 36,700,000 *won* (in the then currency).

These state benefits and measures made it possible for the cooperative farms in mountain and in-between areas to build their economic foundations as solid as those in plain areas and increase agricultural production. As a result, the livelihood of the farmers in mountain and in-between areas became as better off as in plain areas as the day went by. Under these circumstances there was no more need of adjusting the incomes of the cooperative farms and farmers according to their regions through the lever of agricultural tax in kind.

This meant that another material condition was

being created for the complete abolition of agricultural tax in kind.

Another important thing here was to ensure state guidance to agriculture without the use of the lever of agricultural tax in kind.

In the past the agricultural tax in kind served as an important lever to control the management of agriculture and stimulate its development.

When the private peasant economy was predominant, it was used as an important means to stimulate the peasants' zeal for production and give an impetus to the production of grains and agricultural products serving as raw materials. Even in the course of agricultural cooperativization it in some measure served as a means for stimulating the management of agriculture and its development.

Thus, after the enforcement of agricultural tax in kind it played no small role in the development of agriculture and its management.

However, after the socialist relations of production held undivided sway in the countryside, the development of the agricultural cooperative economy and its management could not be controlled by agricultural tax in kind alone. The socialist agricultural cooperative economy can successfully develop only under the state guidance and by the management method appropriate for it.

For the development of the socialist agricultural economy and its effective management in our country the orderly socialist management was institutionalized in the cooperative farms and the work of planning strengthened particularly.

As a result, management of cooperative farms

became gradually organized and planned and, accordingly, agricultural production grew from year to year.

For the purpose the system of state guidance in our country was radically reorganized. As a result of the reorganization of the former system of agricultural guidance which was effected by administrative method a cooperative farm management committee was established in county; a rural economy committee in province; and the Ministry of Agriculture reorganized into an Agricultural Commission. Thus, a new system of agricultural guidance was established with the county cooperative farm management committee as the pivot and the cooperative farms came to be directed by the industrial method of management. These circumstances made the use of the lever of agricultural tax in kind unnecessary. As seen above, as the conditions and possibilities for abolishing the agricultural tax in kind were created, it became the urgent requirements of reality.

Another important thing is to effect its abolition gradually. Although the conditions and possibilities are created for the complete abolition of the agricultural tax in kind, it is by no means easy to effect it in practice.

Even if this tax holds an insignificant proportion in the gross state revenue with the conditions and possibilities created for its complete abolition, it reached a considerable amount. In 1963 alone the grain delivered as tax in kind amounted to 380,000 tons in our country. Its one-third reduction would have amounted to over 120,000 tons, and if the state had had to purchase that amount of grains, it should

have additionally appropriated 48 million *won* for the purpose in the state budget.

This showed that the task was not easy. Agricultural tax in kind was to be abolished by degrees also in view of the necessity of regulating the state revenue and expenditure, the economic conditions of cooperative farms and the living standard of farmers. Powerful material, technical, financial and labour assistance of the state to the backward cooperative farms greatly narrowed down distinctions in the economic conditions of regions and cooperative farms and differences in the living conditions of farmers. If agricultural tax in kind had been abolished at once, the gap might have widened.

The cooperative farms with relatively weak economic foundations were exempted from taxes in the first stage, those with medium economic conditions in the second stage and the comparatively well-off cooperative farms in the third stage, taking into full consideration the crop yields and their economic situation.

In 1960, the state abolished the tax in kind on cotton, tobacco, hemp and other industrial crops as a whole. This gave an impetus to the production of the industrial crops and made it possible to use a great part of the social net profit saved by the cooperative farms to improve the livelihood of farmers and consolidate and develop agricultural cooperative economy. And the state exempted quite a few cooperative farms in mountain areas from the tax in kind on several occasions. By the end of 1963, 1,331 out of over 3,700 cooperative farms were exempted from the tax in kind. This made it possible to de-

velop the cooperative farms in all regions evenly and bring rapidly the countryside in step with town which was making rapid progress, by strengthening the economic foundations of the backward cooperative farms in mountain areas. On the basis of these successes, agricultural tax in kind was completely abolished in our country.

The great leader Comrade Kim Il Sung said:

"We should abolish the system of the agricultural tax in kind during the three years from 1964 to 1966."

The state pushed ahead with the work of completely abolishing agricultural tax in kind from 1964.

Over 800 cooperative farms including those in Chagang and Ryanggang Provinces were exempted from the tax on the late crops in 1964, by which the farmers received the benefit of over 37 million *won* (in the then currency) from the state. 972 cooperative farms were exempted from taxes in 1965 and the rest, in 1966. As a result, agricultural tax in kind was completely abolished in our country. This was a great historic event which heralded the birth of countryside free from the tax for the first time in history and opened a new phase in the solution of the agricultural question. This was a brilliant fruition of the respected leader Comrade Kim Il Sung's farsighted plan for relieving our peasants freed from exploitation and oppression of tax burdens and providing them with more abundant life. This was the valuable outcome of our people's energetic struggle for strengthening the economic might of the country. The complete abolition of agricultural tax in kind served as an important instrument for streng-

thening the economic foundations of the cooperative farms and improving the livelihood of farmers.

2) ABOLITION OF THE INDIVIDUAL INCOME TAX AND LOCAL SELF-GOVERNMENT TAX

For the final solution of tax problem our country abolished individual income tax and local self-government tax in addition to the agricultural tax in kind.

The complete abolition of the individual income tax and local self-government tax is essential for freeing for ever the working people from the fetters of taxation, a legacy of the old society and for providing them with an independent and creative life.

The abolition of agricultural tax in kind marked a milestone not only in the final solution of tax problem in the countryside but also in its solution as a whole. However, the income tax levied on the factory and office workers and local self-government tax on all the population remained in our country.

Only when these taxes were abolished, was it possible to bring about the final solution of tax problem as a whole and provide all the working people with an independent and creative life.

Perceiving the requirements for the solution of tax problem, the great leader Comrade Kim Il Sung set forth a policy of abolishing individual income tax and local self-government tax at the Eighth Plenary Meeting of the Fifth Central Committee of the Workers' Party of Korea and wisely led its implementation.

What was important for the abolition of these taxes was to provide the full socio-economic and material conditions for its enforcement as in the case of agricultural tax in kind.

The great leader Comrade Kim Il Sung said:

"Since the socialist system in our country has been further consolidated and developed, and since the strength of the independent national economy has increased incomparably, it is time to abolish all taxes."

For the purpose our country, first of all, consolidated and developed the socialist system.

The consolidation and development of the socialist system constitutes the socio-economic conditions for the abolition of individual income tax and local self-government tax.

Our socialist system which fully incorporates the great idea of Juche in itself is the most advanced social system where the working masses are masters of everything and where everything serves them.

One of the major advantages of our socialist system lies in the fact that the state takes full responsibility for and ensures the material and cultural lives of the workers, farmers and other working people.

With the consolidation and development of our socialist system all the working people are rewarded according to the quantity and quality of work done and, moreover, enjoy enormous benefits from the state.

They are provided with all basic living conditions ranging from food, clothing and housing and education of their children to medical treatment, working

and recreation conditions.

The state purchases rice for 65 *chon* and miscellaneous cereals for 41 *chon* per kilogram and supplies them to the factory and office workers for 8 and 6 *chon* respectively. Through this measure alone a family of five is given additional benefits of 560 *won* on an average a year.

Modern dwelling houses are built at state expense and allotted to the working people free of charge. Their house rent is only 0.3 per cent of their living costs, and 3 per cent when fuel, water, electricity and other charges are added.

Through this our working people receive the additional benefit of several hundred *won* per household from the state on an average a year.

In addition, the state gives their children free education. The students of university, college and specialized school receive scholarship from the state and all the children and students are issued with school uniforms, footwear and school things free of charge while clothes are supplied to the children in kindergartens and creches at less than half the prices. Not only this. All the working people and their children are given free medical treatment and the former receive the benefits of social security and accommodation at holiday homes and sanatoria.

With the consolidation and development of the socialist system the state benefits given to the working people increase as the day goes by. It represents a bud of communist distribution. This ensures improvement of the living standards of the working people and provides them with a happy life free from worries.

As the state came to finance the revolution and construction on the strength of the revenue from the socialist economic sector and afforded to spend large fund to look after the people's life in a responsible manner, it has become unnecessary to collect taxes from the people as an auxiliary means of meeting the needs of the state and society for funds.

Since the exploiting classes were liquidated long ago, and since all the working people were equally well-off without any great difference in their standards of living, the tax's function of regulating the income of the people on an equitable basis became redundant.

The consolidation and development of our socialist system further raised the position and role of the working people, the masters of the state and society.

One of the major advantages of our socialist system is that all the working people fulfil their responsibility and role as the masters of the state and society.

With the socialist system consolidated and developed, all our working people who firmly armed themselves with the great idea of Juche and who have become masters of the revolution and construction, are taking part in all state affairs conscientiously with the attitude of master, regarding them as their concern.

Our working people are acquitting themselves well in their solemn duty to the socialist fatherland, as the masters of the state and society, displaying a high degree of revolutionary awareness and voluntary enthusiasm. Therefore, it has become unneces-

sary to retain the pay of tax, a leftover of the old society, as their civil duty to the state.

On the other hand, as the state reduced systematically the taxes levied on the people, the amount of taxes our working people paid to the state as their civil duty accounted for a negligible portion of their living costs.

In 1970 the income tax paid by the factory and office workers to the state was less than 10 per cent. Taking into account the fact that in those days their average monthly pay was 70 *won* and they received plenty of additional benefits from the state, the income tax constituted a negligible portion of their living costs.

Therefore, such a tax burden was nearly out of their concern and many of them did not know whether they paid income tax or not.

All these showed that socio-economic conditions for the complete abolition of individual income tax and local self-government tax were mature in our country.

Our country saw to it that powerful foundations of an independent national economy were laid for the abolition of these taxes.

To lay firm foundations of an independent national economy is a material guarantee for abolishing these taxes.

As the state reduced systematically the individual income tax and local self-government tax, they constituted a negligible portion in the state and local revenue. However, since they in some measure were helpful to the nation's and local economic life, the taxes could not be abolished without forming the

financial sources to compensate them. For the purpose the accumulation within heavy and local industries had to be increased. To this end, it was necessary to further develop the central and local industries and lay a firm foundation of an independent national economy.

Under the wise guidance of the great leader Comrade Kim Il Sung, the line of building an independent national economy was thoroughly implemented in our country. As a result, independent foundations of the national economy were further consolidated and the production increased at a high rate.

Our Juche-oriented industry has perfected its branches and become a powerful independent and modern industry which has been equipped with up-to-date techniques, and draws on solid raw-material production centres of its own. With the completion of the irrigation and electrification our rural economy has become an advanced modern agriculture which is run with the help of machines and chemicals.

Local industry has also made rapid progress. With the thorough implementation of the Party's line of developing central industry side by side with local industry in the sphere of the production of consumer goods, our local industry has developed on a full scale. As a result, it accounted for nearly half the output value of the consumer goods.

As the foundations of an independent national economy were firmly built and light industry along with central industry also developed on a large scale, the income from the socialist economic sector held

an overwhelming proportion in the gross state and local revenue.

On the contrary, individual income tax and local self-government tax constituted a negligible proportion in the gross state and local revenue respectively. Particularly, as the country's industrialization was accomplished and the economy made rapid progress as a whole, the proportion of individual income tax was only 1.9 per cent in the state revenue in 1973. The same was the case with the local self-government tax in the gross local revenue.

This showed that our country created the material conditions for completely abolishing individual income tax and local self-government tax.

With the necessary socio-economic and material conditions created in our country, the abolition of these taxes posed itself as a pressing problem.

However, in those days some people took a passive attitude towards the abolition of taxes and even deemed it unreasonable, regarding it as a mere technical and practical question. They asserted that since the tax system came into being with the emergence of the state, its abolition should be considered in relation to the existence of the state. They held that the taxation was inevitable as long as the commodity-money relations remained and that the people should fulfil their civil duty to the state through the pay of tax. According to their view, the tax system cannot be abolished as long as the commodity-money relations exist and as long as the state exists, in other words, even in the high stage of communism.

The followers of these views were either una-

ware of the nature and true advantages of the socialist system or misunderstood the law governing the development of the socialist society.

While bringing them to see clearly the absurdity of their views, our country took measures to completely abolish individual income tax and local self-government tax.

In March 1974, the great leader Comrade Kim Il Sung saw to it that the law on abolishing the tax system was made public.

The law stipulates:

"In accordance with the provisions of Article 33, the Socialist Constitution of the Democratic People's Republic of Korea, the Supreme People's Assembly of the DPRK decides:

"1. The tax system, a vestige of the old society, shall be abolished completely,

"2. The Administration Council of the DPRK shall take measures to implement this law, and

"3. The law shall be effective from April 1, 1974."

* * *

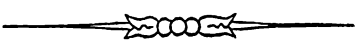
According to the law of the Supreme People's Assembly on completely abolishing the tax system, even individual income tax and local self-government tax were completely abolished as of April 1, 1974 and the final solution of the tax question was brought about in our country.

As a result, the people's dream to live in a tax-free world has become true at last.

The great success achieved in our country through

an energetic struggle to completely abolish taxes for the well-being of the people is a precious fruit of the wise guidance and noble communist virtues of the great leader Comrade Kim Il Sung who successfully embodied the immortal, great Juche idea in our country after creating it, established the most advantageous socialist system with a powerful independent national economy, and is devoting everything to the freedom and happiness of the people.

Thanks to the abolition of the tax system in our country, our people have been delivered once and for all from the remnants of tax system, a legacy of the old society, and provided with an independent and creative life in the blessed socialist land free from exploitation, oppression and taxes.



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